

Workers' Compensation Fraud Report

FY 2006 Third Quarter (January through March 2006)

Statistics at a glance

- Number of cases referred to prosecution.....6
- Number of administrative (civil) fraud orders issued40
- All dollars collected.....\$34,220,558

Major milestones

In March, the Washington State Legislature authorized funding to replace the Department of Labor and Industries' field audit computer system. The new system will streamline data entry, reduce manual entry by field auditors, and simplify retrieval of information used to combat fraud and abuse. The system will be developed in FY 2007 (July 2006 through June 2007).

Prevention highlights

Two key components of an anti-fraud program are:

- Building public awareness of compliance actions taken.
- Helping those who use the workers' compensation system to follow the law.

In the third quarter of FY 2006, fraud prevention staff presented three training sessions to a total of 116 participants in Seattle, Tumwater and Wenatchee. Topics covered were a general overview of L&I's anti-fraud efforts, prime contractor liability, and determining if a subcontractor is an independent contractor or a worker.

Compliance highlights

Investigations

- Failing to have a workers' compensation account and pay premiums landed an Oak Harbor employer in jail. The owner of Catalina Marine Services, Inc. pleaded guilty to a Class C Felony. He was sentenced February 3 to two days in jail and 28 days of home monitoring and ordered to pay \$76,885 in premiums and penalties.
- A claim manager with a keen eye alerted investigators to an individual who had multiple claims. Our investigation concluded that five claims had been falsely filed in an apparent effort to obtain prescriptions from different doctors. When the worker showed up for a doctor's appointment and filled a prescription, local police arrested him for Violation of the Uniform Controlled Substance Act (VUSCA).
- A motor-vehicle accident that killed a fence installer occurred on the way to work, not at work, our investigation found. For that reason, the widow was not eligible for survivor benefits and L&I denied the claim.

Audit

- A large retail firm promptly paid \$59,510 in back premiums and interest after an audit of an eastern Washington store. The L&I auditor had uncovered system problems that cause reporting inaccuracies. The retailer then audited itself, corrected the system errors and voluntarily sent L&I another \$1,089,445 to cover additional premiums due.

Program administration

L&I spent \$3,613,201 on salaries, benefits and other expenses for fraud prevention and compliance. L&I recovered \$34,220,558 in delinquent premiums from employers and improper payments to providers and workers. Also, estimated avoided costs totaled \$2,057,970 (improper future benefits stopped by investigation).

Results: 10 to 1 return on investment – a cost of 10 cents for each dollar collected.

More fraud prevention numbers

These figures represent dollars collected from:

- Fraudulent activity due to misrepresentation
- Overpayments to workers and providers
- Employers owing delinquent premiums

Worker:

Assessments\$488,419
Claim overpayment collections....\$2,980,479
Cost avoidance\$1,957,162

Employer:

Assessments\$2,878,906
Collections\$31,131,042

Provider:

Assessments\$438,144
Collections\$109,037
Cost avoidance\$100,808

